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UNCLAS SECTION 01 OF 02 RABAT 000124

SIPDIS

SENSITIVE

DEPT PASS TO MILLENNIUM CHALLENGE CORPORATION
DEPT ALSO FOR USAID SARA BORODIN

E.O. 12958: N/A

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SUBJECT: MCC CEO APPLGARTH MEETING WITH MOROCCAN FOREIGN
MINISTRY

REF: RABAT 2059 AND PREVIOUS

1. (U) Summary: Millennium Challenge Corporation CEO Paul Applegarth met with MFA Americas Director Salaheddine Tazi and Director for Bilateral Affairs Youssef Amrani on January 12 to formally congratulate the Government of Morocco on its eligibility to apply for Millennium Challenge Account funding. CEO Applegarth also discussed MCA objectives and Moroccan development priorities, and described in general terms the MCA process. In attendance were MCA Vice President John Hewko and others of Mr. Applegarth's delegation, along with the Ambassador, DCM and Econoff notetaker. End Summary.

2. (U) Americas Director Tazi, in the company of the Ministry's full complement of North American affairs advisors and Houda Marrakshi, a member of Minister-Delegate for Foreign Affairs Taieb Fassi-Firhi's staff, expressed his gratitude to CEO Applegarth for Morocco's eligibility for MCA funding. Tazi explained that he and Ambassador Amrani were standing in for Fassi-Firhi, who had been called away by King Mohammed unavoidably. Applegarth emphasized that Morocco's selection for MCA eligibility was in recognition of its successful track record of reform, as well as its proven commitment to economic freedom and investing in people.

3. (U) Applegarth explained that in developing a compact with the MCC, Morocco will choose its own development priorities, and draw up proposals for MCA funding based on these goals. He said the MCC will review and select those proposals that are most effectively geared toward economic growth and poverty reduction, but emphasized that it is entirely up to Morocco to choose the sectors and the priorities it wishes to focus on.

4. (SBU) Tazi commented that Morocco felt "under-scored" by the MCC in the area of trade policy, noting recently-signed free trade agreements with the United States, Turkey, and the Agadir Pact countries of Egypt, Tunisia and Jordan. CEO Applegarth pointed out that there are time lags in the indicators the MCC uses to determine country eligibility, and said he expects that Morocco's score on trade policy will in the future more closely reflect the steps it is now taking with respect to trade liberalization. He also warned that while Morocco's trade policy score may improve, "the median may also rise," and encouraged the GOM not to rest on its laurels.

5. (SBU) Bilateral Affairs Director Youssef Amrani confirmed the "strong political will" in Morocco to work with the MCA, and to make the MCA work for Morocco. He said the GOM is eager to serve as an example of how the MCA can work for the Arab world. Applegarth noted that with the honor of being chosen for MCA eligibility comes a responsibility to seek the greatest possible return on the MCA "investment," and pointed out that as one of the first countries to be chosen, Morocco will be under the spotlight to see how the country performs.

6. (SBU) The MFA team asked which sectors might be excluded from MCA funding, whether co-financing was allowed, and if the GOM could obtain an example of a finished compact. Applegarth replied that there are no pre-set restrictions on the sectors eligible for funding, although successful proposals will be those that generate economic growth and lead to poverty reduction, and that are developed by governments through a thorough consultative process involving, among others, parliamentarians, the private sector and civil society. Applegarth said co-financing is encouraged, and that MCC is prepared to work with proposals that include coordinated funding components from other donors. He said MCC does not yet have an example of a completed compact to share, but that the MCC is in advanced stages of developing compacts with four countries which qualified for FY2004 funding, and as soon as a compact is completed it will be posted on the MCC's website for public viewing. (Note: Applegarth said Madagascar was in a particularly advanced stage of compact development and would likely be the first to complete a compact.) Applegarth further explained that an MCC team would come to Morocco to work in more detail with the GOM to develop a compact. He encouraged the GOM in the meantime to refer further questions

to the U.S. Mission in Rabat or directly to the MCC. He emphasized that Morocco's ambassador in Washington was another avenue of communication, and that all of those elements would be "part of the circle."

17. (SBU) Tazi concluded by thanking Applegarth for his visit and conveying the GOM's eagerness to begin creating a compact. He said the GOM would create a team dedicated to working on the MCA account.

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